



HM Treasury

Access to Cash: Call for Evidence

October 2020

Access to Cash: Call for evidence



© Crown copyright 2020

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at: www.gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at public.enquiries@hmtreasury.gov.uk

ISBN: 978-1-913635-79-4 PU: 3012

Contents

Foreword		2
Chapter 1	Introduction	3
Chapter 2	The government's aims	5
Chapter 3	Cash withdrawal facilities	8
Chapter 4	Cash deposit-taking facilities	15
Chapter 5	Cash acceptance	19
Chapter 6	Regulatory oversight of the cash system	21
Chapter 7	Responding to this call for evidence and next steps	23

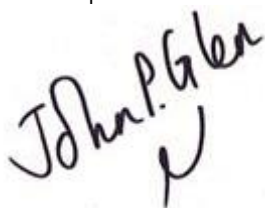
Foreword

As Economic Secretary to the Treasury, my focus on behalf of government continues to be on ensuring our financial services deliver for our economy, and above all for the people and businesses they serve. Our world leading financial services sector is something the UK is rightly proud of, not only because of the traditional and fundamental functions it provides domestically and internationally, but because of the pace and creativity with which we innovate.

The UK is one of the leading destinations globally to invest in FinTech, and we have led the way in Europe on the implementation of Open Banking standards. A notable area of innovation in recent years has been payments; people are increasingly using cards, mobile, and electronic wallets to make payments, and there have also been improvements to traditional payments methods such as the implementation of cheque imaging. Progress is good, and the government will continue to work to create an environment where innovative firms can grow and compete to create solutions that deliver positive outcomes for financial services customers.

However, progress can also risk leaving people behind, and in the case of financial services, exclusion from banking services can have a detrimental impact on people's lives. Whilst card payments and other payments services are becoming increasingly popular, the evidence shows that a significant proportion of the UK population continues to rely on cash in their day to day lives. Cash can provide certain advantages, for example it is used by some vulnerable people to help budget their finances. Whilst it is too early to judge the impacts of the COVID-19 pandemic on cash usage, it is clear that it has had both a significant impact in the short term, and that it will likely accelerate the trend of declining cash usage over the medium to long term. All this serves to heighten the risks to those that continue to rely on cash.

The government is committed to ensuring those people and businesses don't get left behind, which is why it announced it will bring forward legislation to maintain access to cash at Budget 2020. Since then, the government has been working at pace to develop legislation, alongside managing the immediate impacts on the cash system from COVID-19, via close engagement with regulators and industry. Access to cash is a complicated issue that affects all parts of the economy. I am therefore pleased to introduce this Call of Evidence, which will ensure anyone that wishes to have their views heard on the future of cash access, and the government's approach to legislation, will have the opportunity to do so. Responses to this call for evidence will directly support and inform the development of the government's legislation, and I look forward to reviewing the responses.

A handwritten signature in black ink that reads "John P. Glen" with a stylized flourish underneath.

John Glen MP, Economic Secretary to the Treasury

Chapter 1

Introduction

- 1.1 In recent years, the ongoing trend in payments in the UK has been away from cash and towards card payments and other digital payment methods. According to figures published by UK Finance, cash usage in the UK fell from 58% of all payments in 2009 to 23% in 2019.¹ This trend is expected to continue with ongoing innovations in payments, and ever more choice for users in how they transact.
- 1.2 COVID-19 and related social distancing measures have also had a marked impact on cash usage in the UK. In April 2020, transaction volumes through the LINK Automated Teller Machine (ATM) network were approximately 60% lower when compared to the equivalent period a year ago. Since the easing of lockdown measures ATM usage has picked up again. However, transaction volumes remain depressed at around 35% lower in August and September compared to the same period last year.² It is too early to predict what permanent impacts the COVID-19 pandemic will have on cash usage and payments more broadly. However, it is reasonable to expect that knock-on changes in how people purchase goods and services, and social distancing measures, have accelerated the trajectory of declining cash usage, as people have become more comfortable with other forms of transactions and payments, for example contactless card payments.
- 1.3 The transition towards digital payments brings many opportunities, including the facilitation of enhanced competition in payments services. Nonetheless, cash remains an essential payment mechanism for many. Responses to the government's 2018 'Call for Evidence on Cash and Digital Payments in the New Economy'³ highlighted the importance of cash as a symbol of independence, as well as an important budgeting tool, and as a way that elderly or vulnerable people can access social opportunities.⁴
- 1.4 In recognition of this, the government committed at March 2020 Budget to bring forward legislation to protect access to cash and ensure that the UK's cash infrastructure is sustainable in the long term. This will ensure that those who may be less able to benefit from wider moves to digital payment methods are not left behind, and that cash continues to be available for those that need to use it.

¹ ['UK Finance Payments Market 2020', UK Finance, June 2020.](#)

² ['Statistics and trends', LINK, accessed on 8 October 2020.](#)

³ ['Cash and digital payments in the new economy', HM Treasury, March 2018.](#)

⁴ ['Cash and digital payments in the new economy: summary of responses', HM Treasury, May 2019.](#)

- 1.5 The government is progressing the design of legislation at pace, informed by a process of close engagement with the financial regulators, financial services firms, and other interested parties. This call for evidence seeks views on the key considerations associated with cash access, including deposit and withdrawal facilities, cash acceptance, and regulatory oversight of the cash system. Responses will further assist in informing the development of the government's legislation.

Chapter 2

The government's aims

- 2.1 Debit cards are now the most popular payment method in the UK: 17 billion payments were made in total using debit cards in 2019. Nonetheless, industry data shows that 2.1 million people mainly use cash for their day-to-day purchases, with 9.3 billion cash payments made in 2019.¹ Cash therefore remains the second most frequently used payment method in the UK; for many – such as individuals who do not have a bank account – cash can be the only payment option available.
- 2.2 The government's overarching objective is to maintain a sustainable infrastructure for cash in the UK, to ensure financial inclusion for all parts of society, including the most vulnerable who rely on cash in their daily lives. This includes ensuring that people and businesses can access cash withdrawal and depositing facilities within a reasonable travel distance as needed for their day to day lives. This objective to protect cash is complemented by policy initiatives to support digital and financial inclusion, such as requirements for the nine largest personal current account providers to offer basic bank accounts and the nationwide rollout of gigabit-capable broadband to help people get online. It also recognises that the cash system will need to remain flexible in responding to users' changing needs over time.
- 2.3 The government considers that legislation will need to meet the following criteria in delivering its objective:
- be proportionate – in addressing the needs of individuals and businesses
 - allow flexibility – as the cash landscape continues to evolve
 - be cost-effective, efficient and sustainable
 - support competition and innovation

Work on cash access to date

- 2.4 The government, regulators, and industry have been active in identifying the issues associated with declining cash use and have taken various actions to manage these issues over time.
- 2.5 In 2018, the government launched a 'Call for Evidence on Cash and Digital Payments in the New Economy', which considered changing preferences for cash and digital payments, and how these were impacting different sectors,

¹ ['UK Finance Payments Market 2020', UK Finance, June 2020.](#)

regions and demographics.² The government made a subsequent commitment to supporting digital payments whilst safeguarding cash for those who need it. It also created the HM Treasury chaired Joint Authorities Cash Strategy (JACS) Group. The JACS Group brings together the Bank of England, Payments Systems Regulator (PSR) and Financial Conduct Authority (FCA) to ensure comprehensive oversight of the UK's cash infrastructure. This was consistent with the recommendations of the independent Access to Cash Review, chaired by Natalie Ceeney CBE, which highlighted the importance of a joined-up and coordinated regulatory approach to oversight of the cash system, as consumer behaviours continue to change.³ The JACS group has subsequently published a comprehensive update on its work, in July 2020.⁴ At the March 2020 Budget, the Chancellor announced that government will bring forward legislation to protect access to cash and ensure that the UK's cash infrastructure is sustainable in the long term.⁵

2.6 The FCA, PSR, and Bank of England have been active in managing access to cash in line with their objectives and responsibilities. The PSR regulates the LINK network, which manages the vast majority of ATMs in the UK. As part of its work, the PSR has been monitoring the public commitment made by LINK in early 2018 to maintain the geographic spread of 'protected' ATMs, those free-to-use (FTU) ATMs that are more than one kilometre away from the next nearest FTU ATM. This involved the PSR issuing a Specific Direction to LINK in October 2018, to make sure it fulfils this commitment.⁶ Alongside this call for evidence, and development of legislation, the FCA and PSR are also leading a programme of work with industry, and engaging with consumer groups, to establish the access to cash needs of consumers and small and medium enterprises (SMEs) as well as long-term solutions for cash access. HM Treasury is working with the regulators to monitor this programme of work, the findings of which will help inform the government's approach to legislation. The FCA and PSR are also building on their existing work to map cash access locations through an initiative with the University of Bristol to analyse cash availability across the UK.⁷

2.7 Ensuring that cash access remains sustainable at lower levels of usage also requires a new model for the wholesale cash distribution network. To this end, the Bank of England convened the Wholesale Distribution Steering Group (WDSG) with relevant industry participants to agree on a new model for the wholesale distribution of cash in the UK. In parallel, UK Finance convened an Industry Steering Group, which is assessing potential new models and bringing forward proposals to the WDSG. The WDSG recently concluded a public consultation on potential end-state models for a new wholesale cash distribution system in summer 2020, seeking feedback from

² ['Cash and digital payments in the new economy', HM Treasury, March 2018](#)

³ ['Access to cash review: final report', March 2019.](#)

⁴ ['Joint Authorities Cash Strategy \(JACS\) Group: Safeguarding the UK's cash infrastructure', HM Treasury, July 2020.](#)

⁵ ['Budget 2020', HM Treasury, March 2020.](#)

⁶ ['PSR Specific Direction 8', Payment Systems Regulator, October 2018.](#)

⁷ ['Coverage of access to cash across the UK', Payment Systems Regulator and Financial Conduct Authority, June 2020.](#) and ['Access to cash during Covid-19: identifying and managing temporary gaps in provision', Payment Systems Regulator, July 2020.](#)

the widest set of interested parties on the relevant impact of moving to a new model. This consultation has now closed.⁸

- 2.8 The members of the JACS Group have continued to work closely during the COVID-19 pandemic to ensure the provision of cash in light of the impact of COVID-19, including through bank and building society branches, Post Office and ATM closures. During this period, the FCA has convened a regular Banking Access Coordination Group, bringing together members of the JACS Group with industry to maintain access to essential banking services. The FCA has supported this by publishing their expectations on essential banking services⁹ and, with the PSR, published their joint approach to access to cash.¹⁰
- 2.9 The work of the authorities has been complemented by various industry-led initiatives to support financial inclusion and access to cash. These have included measures by LINK to protect the distribution of free-to-use ATMs, as encouraged by the PSR. Mastercard and Visa have both announced incentives for retailers to offer cashback to encourage uptake of this alternative withdrawal service. Furthermore, this year Natalie Ceeney CBE has chaired the Community Access to Cash Pilots Board, which has been working closely with specific communities to launch pilots that consider sustainable, targeted solutions for cash access for local individuals and businesses.

⁸ ['Consultation on the future of the UK's wholesale cash distribution model', Bank of England: Wholesale Distribution Steering Group \(WDSG\), June 2020.](#)

⁹ ['Banks, building societies and credit unions – branch access for essential services update', Financial Conduct Authority, June 2020.](#)

¹⁰ ['The FCA's and PSR's joint approach to Access to Cash', Financial Conduct Authority, June 2020.](#)

Chapter 3

Cash withdrawal facilities

- 3.1 For individuals and businesses to continue to use cash, it is important they can access suitable cash withdrawal facilities within a reasonable distance. This section of the call for evidence provides an overview of the different parties responsible for the provision of cash. It also sets out the different withdrawal facilities available, actions to address issues with these facilities, and details how these facilities are used by businesses and consumers.

The provision of cash

- 3.2 In order to allow individuals and businesses to obtain the cash that they need, the notes and coins first need to be created and distributed to cash withdrawal facilities.
- 3.3 This process commences with the issuance of banknotes and coins, for example by the Bank of England or commercial banks in Scotland and Northern Ireland, as well as the Royal Mint. Once issued, notes and coins are processed through the UK's cash processing centres and distributed to customer withdrawal points by the Cash in Transit industry. At this point, cash will be available for individuals and businesses to withdraw from facilities such as ATMs and counters at banks, building societies and Post Offices.
- 3.4 This call for evidence does not seek to duplicate the work of the WDSG and the government will continue to engage with the Bank of England on the necessary next steps for wholesale distribution, including providing the Bank of England with the powers it needs to enable and support a sustainable wholesale cash infrastructure.

Withdrawal facilities

- 3.5 There are several different ways people can withdraw or acquire cash once banknotes and coins have been created and distributed out into the economy. These include withdrawals from:
- ATMs also known as cash machines
 - over the counter at bank or building society branches
 - Post Office branches
 - retailers offering cashback
 - non-traditional cash facilities (e.g. cash delivery services initiated during the COVID-19 pandemic)

ATMs

- 3.6 The world's first ATM was unveiled in London in 1967. In the mid-1980s, the LINK ATM network was created to allow the smaller banks and building societies to compete against the cash machine networks of the larger banks. By 1998, all the major UK banks and building societies had become LINK Members, enabling their ATMs to be used by customers of the other Members of the Network.
- 3.7 Presently, ATMs are the most commonly used means of withdrawing cash. UK Finance figures show that 91% of cash withdrawals took place through ATMs in 2019.¹ Furthermore, market research commissioned by the PSR has found that 80% of people preferred FTU ATMs to access cash as opposed to other methods of cash withdrawal.²
- 3.8 Nonetheless, the volume and value of cash withdrawals from ATMs have fallen as wider cash use has declined. The total value of cash withdrawals over the LINK ATM network peaked in 2012 and has been declining year-on-year since. More recently, the number of monthly cash withdrawals made across January-February 2020 declined by 21% compared with the same period (January-February) in 2017.
- 3.9 Despite cash withdrawal volumes beginning to fall from 2012 onwards, the number of FTU ATMs on the LINK network continued to increase, reaching a year-end peak of 54,599 machines in 2017.³ Furthermore, most ATMs remain clustered in areas of high demand and high footfall, particularly in retail centres and transport hubs. As of January 2020, 78% of all free-to-use machines were within 300 metres of the next, and 94% were within one kilometre of the next.⁴
- 3.10 These changes have been effected by the interchange fee, which is set by LINK and determines the amount of money paid by a card holder's provider (e.g. their bank or building society) to the operator of an ATM every time a FTU ATM is used. The level of interchange fee was incentivising the installation of new independently owned ATMs in high footfall areas where they could generate the most interchange fee revenue, with less populated areas representing less commercially attractive locations.
- 3.11 LINK has taken a number of steps to address the sustainability of the network. In 2017 it consulted its members, including banks, on a series of reforms to reduce the interchange fee. In January 2018, LINK announced a phased 20% reduction in interchange rates over 4 years. The first and second reductions of 5% took effect on 1st July 2018 and 1st January 2019. However, as a result of falls in the volume of ATM transactions, LINK decided to cancel the third and fourth reductions, due in January 2020 and 2021.
- 3.12 ATMs are often the main withdrawal facilities for many communities. Therefore, LINK also announced a range of measures to protect the

¹ ['UK Finance Payments Market Report 2020', UK Finance, June 2020](#) and HM Treasury analysis

² ['Access to cash research with consumers and small businesses: final report', Payment Systems Regulator, July 2019.](#)

³ ['Statistics and trends', LINK, accessed on 8 October 2020.](#)

⁴ Analysis provided by LINK, 2020.

geographic spread of ATMs. This included tripling premium interchange fees for ATMs that were part of LINK's existing financial inclusion programme to support machines in deprived areas. LINK, supported by the PSR, has also created a definition of 'protected' ATMs, for any FTU cash machine that is one kilometre or more from the next FTU ATM or Post Office, and provided premium interchange fees to help keep these machines open. As a last resort, where a protected ATM has closed, LINK currently seeks to directly commission a replacement ATM from its members where appropriate, which supports the requirements in the Specific Direction issued by the PSR in October 2018.⁵

- 3.13 Similarly, LINK has committed to ensure there is free access to cash in high streets and retail centres where there are at least 5 relevant shops, and received funding from its members to meet requests for new ATMs from local communities.⁶
- 3.14 Despite the reforms, the availability of FTU ATMs remains a concern for many local areas. The existing initiatives in place to maintain a sustainable and appropriately distributed network are largely focussed on standardised geographical measures, which may not capture the specific needs of some local communities. The Treasury is working with the FCA and PSR to establish the cash needs of consumers and SMEs as part of the broader regulator-led programme of work with industry on cash access. The scope of this work is not limited to ATM withdrawal facilities, but it will consider the role of geography amongst other factors in determining the indicators for consumer need, which will be expected to inform future industry models for suitable cash withdrawal facilities.
- 3.15 The government's view is that the ATM network should help to ensure reasonable access to cash for individuals and businesses across the UK. In order to maintain a sustainable ATM network, the right incentives and requirements should be in place to secure FTU ATM provision in more rural, less populated communities. While ATMs are an important source of cash and the government believes legislation should allow flexibility in terms of channels, this is likely to require that ATM provision moves to a more 'utility-based model', where decisions over the location of ATM machines balances customer need alongside commercial factors.

Over the counter at bank or building society branches

- 3.16 Counters at banks and building societies are also a commonly used facility for withdrawing cash. In 2019, there were 78 million withdrawals using a cheque, passbook or card at a bank or building society branch, totalling £12.8 billion of cash. Furthermore, the average value of a withdrawal at a bank or building society branch is higher than at an ATM or via cashback; the average withdrawal over the counter using a card is £155, or £186 when using a passbook, compared to the average ATM withdrawal of £73, though these values may in part be influenced by withdrawal limits on certain channels such as ATMs. However, these over the counter services have also

⁵ [PSR Specific Direction 8, Payment Systems Regulator, October 2018.](#)

⁶ [LINK Retail Centre ATM Policy, LINK, effective 29 August 2019.](#)

witnessed a sharp decline in use from a decade earlier in terms of both the volume and value of withdrawals.⁷

- 3.17 There are many factors that likely contribute to this trend, such as greater adoption of digital services, including payments and internet banking. As a result of changing business models and consumer preferences for these services, banks and building societies have consolidated their branch networks.
- 3.18 In order to minimise any disruption caused by branch closures, the government continues to work closely with regulators and the industry. Since May 2017, the major high street banks have been signed up to the Access to Banking Standard.⁸ This is an industry commitment, brokered by government, to take steps to establish the local impact of a branch closure, and to inform communities about a bank's reasons for closure and options for alternative access to services. Alongside the FCA's work to explore a long-term solution with industry to protect access to cash, it continues to work closely with the Lending Standards Board (LSB), who provide independent oversight of branch closures by signatories to the Access to Banking Standard to ensure fair customer outcomes.
- 3.19 On 14 September 2020, the FCA also published new guidance to regulated firms, which makes clear that banks, building societies and credit unions are now expected to keep the FCA informed of any plans for branch or FTU ATM closures, as well as for FTU ATM conversions, in good time before final decisions are made.⁹ This will enable the FCA to monitor whether firms have properly considered the impact on customers and to ensure that customers are being treated fairly.
- 3.20 While branches continue to provide facilities for cash, the government recognises that they also serve other functions that must be taken into account when commercial decisions on closures are taken. This call for evidence is therefore concerned with bank and building society branches in relation to their role in cash provision only, and is not seeking to address the issue of branch closures more broadly.

Everyday Banking at Post Office branches

- 3.21 The Post Office is playing an increasingly important role in the provision of cash withdrawal services, and other branch related services. In August 2020, during the COVID-19 pandemic, almost £600 million was withdrawn from the Post Office's network of 11,500 branches.¹⁰ This compares with over £7 billion from the LINK ATM network (excluding withdrawals made by customers at their own banks' or building societies' ATMs).¹¹
- 3.22 In January 2017, Post Office agreed a three year, industry-wide Banking Framework with 28 UK firms, enabling 99% of UK personal banking

⁷ ['UK Finance Payments Market Report 2020', June 2020](#)

⁸ ['Access to Banking Standard', Lending Standards Board, July 2017.](#)

⁹ ['Finalised guidance: FG 20/3: Branch and ATM closures or conversions', Financial Conduct Authority, September 2020](#)

¹⁰ ['Post Office Cash Tracker', Post Office Limited, August 2020](#)

¹¹ ['Statistics and trends', LINK, accessed on 8 October September 2020.](#)

customers and 95% of UK business banking customers to do their day-to-day banking - including cash deposits and cash withdrawals - at the Post Office.

- 3.23 While the Post Office's cash services are not under the direct oversight of any single regulator, the Post Office Ltd.'s public ownership is founded on its social purpose. This includes protecting the interests of vulnerable customers, providing services of social importance, and safeguarding services in rural and urban deprived areas where bank or building society branches are not commercially viable.
- 3.24 Research from Citizens Advice finds that the 97% of consumers and 93% of SMEs who have used Post Office banking services say they are satisfied with the service.¹² However, as highlighted by the 'Access to Cash Review' final report in 2019, queues and service levels for banking services at the Post Office have been reported by some customers as concerns.
- 3.25 The government welcomed a renegotiated Banking Framework Agreement, which took effect from January 2020. This has significantly increased the overall fees received by the Post Office for processing banking services. Higher remuneration for postmasters from this agreement can allow for investment in automation, training and security in Post Offices. In order for the Post Office to provide an effective and sustainable cash withdrawal service it should look at ways to improve the delivery of its customer offering, working alongside industry to promote its everyday banking services.

Cashback

- 3.26 In 2019, cashback was the second most commonly used method for withdrawing cash in the UK behind ATMs. There were 123 million cashback transactions, to obtain cash when paying a retailer by debit card, amounting to a total value of £3.8 billion. The average withdrawal via this method was therefore lower than ATMs and branches at around £31 per withdrawal.¹³
- 3.27 In addition to providing customers with a means to access cash, cashback has potential further benefits: local shops accepting and dispensing cash will facilitate local cash recycling, potentially reducing costs in the cash system as a whole by lowering the need to transport and redistribute notes and coins via cash centres.
- 3.28 Currently, cashback is typically offered in the UK when making a debit or credit card purchase for goods or services ("cashback with a purchase"). This type of cash withdrawal is treated as a card payment under card scheme rules, and, as a result, customers have the same protections as other card payments under those rules. Card scheme rules apply to card scheme members, such as card issuers (e.g. a customer's bank) or acquirers (e.g. a retailer's payment service provider), via contractual arrangements. The scheme rules include processes to apportion liability between members and also include dispute resolution mechanisms where transactions go wrong.

¹² ['Banking on it: How well are post offices delivering cash and banking services'. Citizens Advice, July 2020.](#)

¹³ ['UK Finance Payments Market Report 2020'. UK Finance, June 2020.](#)

These rules allow the customer to seek resolution via their card issuer if they are not able to resolve matters via the merchant. An example of a cashback transaction going wrong could include where a customer's bank account is debited £20 but they only received £10 in cash from the retailer.

- 3.29 However, the treatment of cashback where a purchase via card payment is not being made as part of the transaction ("cashback without a purchase") is treated differently under financial services law, and card scheme rules. Cashback without a purchase is not explicitly exempted from the definition of a payment service under the EU's Second Payment Services Directive, as transposed into UK law through the Payment Services Regulations (2017). As a result of the Directive, cashback without a purchase constitutes a regulated payment service. This is distinct to cashback with a purchase, which is explicitly exempted from regulated payment services under the Directive. Generally, only suitably registered or authorised businesses such as banks and payment institutions are permitted to provide payment services in the UK. Absent legislative changes, the provision of cashback without a purchase would require that either:
- a) merchants are registered or authorised to provide the regulated service or
 - b) merchants act as an agent of a payment service provider, such as the acquirer or the customer's card issuer
- 3.30 However, both of these approaches add in notable friction to the process, and in the government's view therefore stand as barriers to the widescale provision of cashback without a purchase.
- 3.31 In addition to having the correct mechanisms in place to manage risk and assign liability, the success of cashback without a purchase will also require the right commercial incentives to encourage merchants to offer this service. In 2020, card schemes, including VISA and Mastercard, announced incentives of 12 pence per transaction for retailers in order to encourage uptake of an alternative withdrawal service.
- 3.32 The government's view is that cashback without a purchase has the potential to be a valuable facility to cash users in future, play an important role in the UK's cash infrastructure, and comes with the additional benefit of supporting local cash recycling. It is possible that the lack of exemption for cashback without a purchase in the EU's Second Payments Services Directive was an oversight; nonetheless after the end of the transition period on 31 December 2020, the government will be able to implement legislation to remove barriers to the widespread adoption of cashback without a purchase.
- 3.33 This call for evidence is interested in views on how cashback with and without a purchase could play a greater role in future cash access, including how customer protections can be ensured through appropriate liability arrangements and how this facility can be made commercially attractive for merchants.

Question 1

How can the government ensure the UK maintains an appropriate network of cash withdrawal facilities over time through legislation?

Question 2

What is the potential for cashback to play a greater role in the provision of cash withdrawal facilities, and how can legislation facilitate further adoption of cashback?

Chapter 4

Cash deposit-taking facilities

- 4.1 A well-functioning cash system requires that businesses and individuals have reasonable access and means to deposit cash into payment and savings accounts.
- 4.2 Deposit-taking facilities are particularly important for smaller businesses who may need to pay in significant cash sums on a regular basis. According to a study commissioned by the PSR, 55% of cash-accepting businesses deposited at least weekly.¹
- 4.3 There are additional considerations across the board for the provision of deposit-taking facilities beyond cash withdrawal, with security being a notable factor. Whilst it is common to make withdrawals from ATMs situated in open spaces, for example on the street, this setting is less appropriate for depositing cash, where the values involved necessitate a secure environment to transact in. For businesses there are also costs associated with cash depositing services, as with other costs related to cash handling, such as sorting, transporting and securely storing cash.

Cash deposit facilities

- 4.4 At present there are various means by which cash users can make deposits. These are:
- bank or building society branches
 - Post Office branches offering banking services
 - cash collection services
 - merchant operated self-fill ATMs

Bank and building society branches

- 4.5 Bank and building society branches remain a primary means for both individuals and SMEs to deposit cash locally. The government's 'Call for Evidence on Cash and Digital Payments in the New Economy'² recognised the importance of face-to-face banking for many individuals and businesses. Research commissioned by the PSR also found that the majority of SMEs deposit cash in banks.³ A benefit of bank and building society branches is

¹ ['Access to cash research with consumers and small businesses: final report', Payment Systems Regulator, July 2019.](#)

² ['Cash and digital payments in the new economy', HM Treasury, March 2018.](#)

³ ['Access to cash research with consumers and small businesses: final report', Payment Systems Regulator, July 2019.](#)

that they provide a secure space for such transactions to take place over the counter.

- 4.6 A number of respondents to the government's 'Call for Evidence on Cash and Digital Payments in the New Economy' in 2018 also noted the trend towards the use of self-service machines when depositing cash, including in branches. In the UK, deposit-taking ATMs have only typically been implemented within bank and building society branches and accept deposits for customers of that firm. The research commissioned by PSR has also suggested that users may perceive automated facilities as unreliable, slow and prone to error.
- 4.7 As set out in the previous chapter, the number of banks and building society branches across the UK has decreased in recent years as business models and consumer preferences respond to the changing financial landscape. This has brought significant benefits to a number of people, as more consumers and businesses opt for the convenience, security, and speed of digital payments and digital banking.
- 4.8 However, one consequence of banks and building societies scaling back their branch networks is that individuals and businesses may need to travel further to access deposit facilities, resulting in an increase in the time and cost of doing business in cash. The PSR found that SMEs will often incorporate depositing cash with other errands, but greater travel distances to branches can nonetheless pose a challenge.
- 4.9 Ultimately, the distance required to travel to a deposit facility, such as a branch, can affect decisions on whether to accept cash.
- 4.10 In order for the cash system to function effectively, the government believes that it will continue to be important for financial services firms to provide their customers with suitable, secure and effective deposit-taking facilities. This does not necessarily need to be a branch, but alternative facilities will need to account for the relevant essential requirements, notably a safe environment in which to transact.

Post Offices offering banking services

- 4.11 As bank and building society branch networks have evolved, the Post Office's network of 11,500 branches has provided an increasingly important role in providing facilities for banks' individual and business customers to deposit cash.
- 4.12 Under the Banking Framework Agreement both individuals and SMEs can utilise the Post Office branch network to deposit cash, regardless of which of the participating banks or building societies they hold an account with.
- 4.13 This service continues to prove a popular method for deposit facilities and overall the Post Office receives a greater value of deposits in cash than withdrawals. It therefore has a key role in redistributing cash throughout the wider cash infrastructure. In August 2020, the Post Office received £831 million worth of deposits made by businesses and £945 million by personal customers. While deposit-taking at the Post Office was affected by

restrictions in response to COVID-19, the value of deposits has increased since the easing of lockdown measures.⁴

- 4.14 There are limitations to what customers can do at Post Office branches. For example, there is a £2,000 limit on the amount customers are able to deposit in smaller, local branches. However, over 3,000 main Post Office branches can accept up to £20,000 and the Post Office can also make individual arrangements for customers who need to deposit larger sums of cash on a more regular basis.
- 4.15 One in four people have now used banking services at the Post Office and 97% reported they were satisfied. However, while speed of service is a key reason for satisfaction amongst many people, studies have highlighted issues with the duration of queues, levels of privacy, and staff training. Research by Citizen's Advice found that many customers had received the wrong information on cash withdrawal limits, which can differ depending on the customer's bank or building society.⁵ The Natalie Ceeney led 'Access to Cash Review' recommended that the Post Office examines its SME deposit facilities and improves them, automating them where it is cost-effective to do so.
- 4.16 The government considers that the Post Office branch network is likely to have an important role in the ongoing provision of deposit-taking facilities. The government is supportive of industry initiatives to share banking services where they are commercially viable. However, to date, outside of the LINK ATM network and Banking Framework Agreement, banks and building societies have not entered into effective or sustainable commercial arrangements to share their infrastructure or services. The Post Office presently provides the most effective existing shared service to the customers of over 28 banks and building societies and the government expects that – in light of changes to bank and building society networks - it is likely to continue be important in managing the costs of providing deposit-taking services in the context of declining cash usage.
- 4.17 To ensure that the Post Office is an effective and sustainable option in the long term, the speed, security and privacy of services for deposit-taking will need to be an ongoing focus. The government welcomed a renegotiated Banking Framework Agreement, which took effect from January 2020 and will help the Post Office to invest in service improvements. The Community Access to Cash Pilots also present an opportunity for the participating banks to work with the Post Office to test approaches to improving banking services at Post Office branches, in ways that can be scaled up nationally.⁶

Cash collection services

- 4.18 In addition to visiting bank and building society branches, there are several industry providers of cash collection services. The Cash in Transit industry provides a range of potential solutions where cash can be collected from an

⁴ ['Post Office Cash Tracker', Post Office Limited, August 2020.](#)

⁵ ['Banking on it: How well are post offices delivering cash and banking services', Citizens Advice, July 2020.](#)

⁶ ['Innovation in Community Access to Cash Pilots Unveiled', September 2020](#)

individual or business. Banks and building societies may also offer collection and deposit services to their customers.

- 4.19 Collection services can have benefits to businesses as they remove the need for travel and queuing at branches. Meanwhile, innovations, such as smart safes, may allow cash to be credited to the firm's account instantaneously and collected when convenient.
- 4.20 These services can therefore allow for the depositing of large volumes of cash, safely and securely, and are not restricted to a single physical location. However, there are still important considerations including the cost, security of storage and transporting cash, as well as planning collections, which may limit its suitability for many individuals and businesses.

Self-fill ATMs

- 4.21 As an alternative to depositing cash at a separate location, self-fill ATMs can allow businesses to deposit their cash on-site. For example, a retailer may use the cash it has received for purchases to fill up the ATM located on their premises; the company operating the ATM would then credit the money to the business in an account, and the cash is available for cardholders to make a withdrawal from that ATM.
- 4.22 This approach can bring advantages to small businesses who are able to reduce banking requirements and deposit cash on site without incurring the need to travel. In turn, they can also support cash recycling in the local community.

Question 3

How can the government ensure the UK maintains an appropriate network of cash deposit-taking facilities over time through legislation?

Chapter 5

Cash acceptance

- 5.1 In addition to being able to withdraw and deposit cash, the ability to transact using cash is essential to the proper functioning of the cash system; on average, a UK adult will pay with cash 14 times a month.¹ It is at the discretion of retailers as to which forms of payments they wish to accept, including cash, cards and digital payment methods. Nonetheless, cash acceptance is a matter of concern for the government and regulators given its importance to the cash system. Research commissioned by the PSR in 2019 indicated that 54% of small businesses accepted cash. This varies by sector with only 9% of small businesses in the accommodation and food services sector not accepting cash.²
- 5.2 Various factors incentivise and disincentive businesses from offering cash as a form of payment, and this decision will be driven by commercial factors: businesses must consider their customer proposition and whether there is demand for cash payments, and balance this against the costs associated with facilitating cash alongside, or instead of, other payments options. Notably, as cash usage declines, the relative costs for merchants of handling cash are expected to increase. In addition, COVID-19 social distancing measures may have had a negative impact – temporary or permanent – on the number of retailers accepting cash as a form of payment.
- 5.3 The government's view is it would not be appropriate to mandate cash acceptance but wishes to explore options for better incentivising cash acceptance. It is interested in views on the various push and pull factors involved, including why businesses move away from accepting cash; what external factors influence this choice; why and at what point cash transactions become more expensive to retailers than card transactions; and whether other barriers to cash acceptance exist.
- 5.4 Work by the members of the Joint Authorities Cash Strategy (JACS) group with industry is already underway to better understand cash acceptance. The FCA is conducting qualitative research into acceptance of payment methods by SMEs and the costs related to cash acceptance. This complements the PSR's market research with small businesses into the direct and indirect costs of cash. The Bank of England is also tracking cash acceptance from a consumer perspective. This work reflects the fact that overall there is currently a lack of timely, reliable data on retailer acceptance of cash. Given the importance of cash acceptance to the viability of cash, this is an area

¹ ['UK Finance Payments Market Report 2020', June 2020.](#)

² ['Access to cash research with consumers and small businesses: final report', Payment Systems Regulator, July 2019.](#)

where JACS Group members are combining efforts to improve data collection.

Question 4

What are the key factors and considerations for maintaining cash acceptance in the UK?

Chapter 6

Regulatory oversight of the cash system

- 6.1 In legislating on cash access, government aims to ensure that the authorities have the appropriate powers and responsibilities to oversee the cash system efficiently and effectively. The Bank of England, FCA, PSR, and HM Treasury each have various roles and responsibilities for the cash system; these are summarised below.

Roles and responsibilities

- 6.2 **HM Treasury** is the UK's economics and finance ministry, with responsibility for financial services public policy and financial legislation, including setting the objectives and remits for the financial regulators.
- 6.3 **The Bank of England** has primary functions to maintain monetary stability and oversee financial stability of the UK financial system. Its responsibilities for monetary stability include monetary policy, the issuing of bank notes, and maintaining confidence in the physical currency.
- 6.4 **The Financial Conduct Authority** is the conduct regulator for regulated financial services firms. The FCA has statutory objectives to protect and enhance the integrity of the UK financial system, to ensure an appropriate degree of protection for consumers of financial services (including when the acceptance of cash deposits or a cash withdrawal service is a regulated activity or payment service), and to promote effective competition in the interest of consumers.
- 6.5 **The Payment Systems Regulator** is an economic regulator, and an operationally independent subsidiary of the FCA. It has statutory responsibilities to promote the interests of business and consumers that use payments systems, as well as to promote competition and innovation within payments. In line with this, the PSR is responsible for regulating the ATM network as overseen by LINK.

Oversight of the cash system

- 6.6 As set out above, the relevant authorities have various roles and responsibilities that pertain to aspects of the cash system, both directly and indirectly. It is therefore essential that the government, the Bank of England, and the financial regulators are closely engaged in managing risks and advancing objectives for maintaining a well-functioning cash system.
- 6.7 The creation of the JACS Group following HM Treasury's 'Call for Evidence on Cash and Digital Payments in the New Economy'¹ has ensured robust

¹ ['Cash and digital payments in the new economy', HM Treasury, March 2018.](#)

coordination and comprehensive oversight of the overall cash infrastructure across the UK. The JACS Group published an update on its work in July 2020, which detailed trends in cash usage, pressures on the end-to-end cash infrastructure, and industry initiatives to support cash access.² The update also detailed how the JACS group has been coordinating to manage the risks to the cash system arising from the COVID-19 pandemic.

- 6.8 Whilst the JACS Group has been an important and highly beneficial initiative, it is not a decision-making body, and it remains the case at present that no single authority has overall responsibility for overseeing the maintenance of a well-functioning UK cash system for the benefit of consumers. Whilst effective coordination between the financial authorities will continue to be critical, the government considers there may be significant benefit in giving a single authority overall responsibility for setting requirements to ensure that the retail distribution of cash meets the needs of consumers and SMEs.
- 6.9 The government's view is that the FCA may be well positioned to take on this function through legislation. This is because the appropriate provision of cash withdrawal and depositing facilities are the two most significant factors in maintaining access to cash. Deposit-taking institutions provide both of these facilities already, and have an existing regulatory relationship with the FCA, which has powers to make rules in relation to deposit-taking as a regulated activity. In addition, the FCA already has a statutory objective to secure an appropriate degree of protection for consumers; the government considers maintaining access to cash for those that need it to be a consumer protection issue. Within this model the government intends that the PSR and Bank of England would continue with their existing functions to support the delivery of requirements to address consumer and SME needs regarding the retail distribution of cash.

Question 5

Should the government give a single regulator overall statutory responsibility for maintaining a well-functioning retail cash distribution network? If so, with which regulator should this responsibility sit?

² ['Joint Authorities Cash Strategy \(JACS\) Group: Safeguarding the UK's cash infrastructure', HM Treasury, July 2020.](#)

Chapter 7

Responding to this call for evidence and next steps

- 7.1 This call for evidence will remain open for 6 weeks, and close on 25th November. The government is seeking views through this call for evidence to develop evidence to feed into HM Treasury’s legislative work on access to cash.
- 7.2 Following the call for evidence, the government will provide a summary of responses and will set out next steps for its work on cash access, including delivering the commitment made at Budget 2020 to bring forward legislation to protect access to cash.

Who should respond?

- 7.3 A range of groups will be interested in the questions and evidence presented. The government welcomes responses from all stakeholders, including:
- consumer groups
 - payment institutions and providers
 - financial institutions
 - ATM providers
 - businesses

When and how to submit responses

- 7.4 This call for evidence will remain open for 6 weeks, and close on 25th November. Please submit your responses at:
accesstocashcfe@hmtreasury.gov.uk
- 7.5 Address:
Access to Cash Call for Evidence
Payments and Fintech Team
HM Treasury
1 Horse Guards Road
SW1A 2HQ

Confidentiality

Access to cash: Call for Evidence – Processing of Personal Data

- 7.6 This notice sets out how HM Treasury as the data controller, will use your personal data for the purposes of the Access to Cash Call for Evidence and

explains your rights under the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA).

Your data (Data Subject Categories)

7.7 The personal information relates to you as either a member of the public, parliamentarians, and representatives of organisations or companies. The data we collect (Data Categories) Information may include your name, address, email address, job title, and employer of the correspondent, as well as your opinions. It is possible that you will volunteer additional identifying information about themselves or third parties.

Legal basis of processing

7.8 The processing is necessary for the performance of a task carried out in the public interest or in the exercise of official authority vested in HM Treasury. For the purpose of this Call for Evidence the task is consulting on departmental policies or obtaining opinion data in order to develop good effective government policies.

Special categories data

7.9 Any of the categories of special category data may be processed if such data is volunteered by the respondent.

Legal basis for processing special category data

7.10 Where special category data is volunteered by you (the data subject), the legal basis relied upon for processing it is: the processing is necessary for reasons of substantial public interest for the exercise of a function of the Crown, a Minister of the Crown, or a government department. This function is consulting on departmental policies, or obtaining opinion data, to develop good effective policies.

Purpose

7.11 The personal information is processed for the purpose of obtaining the opinions of members of the public and representatives of organisations and companies, about departmental policies, or generally to obtain public opinion data on an issue of public interest.

Who we share your responses with

7.12 Information provided in response to a call for evidence may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018 (DPA) and the Environmental Information Regulations 2004 (EIR).

7.13 If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence.

7.14 In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all

circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Treasury.

- 7.15 Where someone submits special category personal data or personal data about third parties, we will endeavour to delete that data before publication takes place.
- 7.16 Where information about respondents is not published, it may be shared with officials within other public bodies involved in this call for evidence to assist us in developing the policies to which it relates (including with the Bank of England, Financial Conduct Authority and Payment Systems Regulator). Examples of these public bodies appear at: <https://www.gov.uk/government/organisations>.
- 7.17 As the personal information is stored on our IT infrastructure, it will be accessible to our IT contractor, NTT. NTT will only process this data for our purposes and in fulfilment with the contractual obligations they have with us.

How long we will hold your data (Retention)

- 7.18 Personal information in responses to this call for evidence will generally be published and therefore retained indefinitely as a historic record under the Public Records Act 1958.
- 7.19 Personal information in responses that is not published will be retained for three calendar years after the call for evidence has concluded.

Your rights

- You have the right to request information about how your personal data are processed and to request a copy of that personal data.
- You have the right to request that any inaccuracies in your personal data are rectified without delay.
- You have the right to request that your personal data are erased if there is no longer a justification for them to be processed.
- You have the right, in certain circumstances (for example, where accuracy is contested), to request that the processing of your personal data is restricted.
- You have the right to object to the processing of your personal data where it is processed for direct marketing purposes.
- You have the right to data portability, which allows your data to be copied or transferred from one IT environment to another.

How to submit a Data Subject Access Request (DSAR)

- 7.20 To request access to personal data that HM Treasury holds about you, contact:
- 7.21 HM Treasury Data Protection Unit G11 Orange 1 Horse Guards Road London SW1A 2HQ dsar@hmtreasury.gov.uk

Complaints

- 7.22 If you have any concerns about the use of your personal data, please contact us via this mailbox: privacy@hmtreasury.gov.uk.
- 7.23 If we are unable to address your concerns to your satisfaction, you can make a complaint to the Information Commissioner, the UK's independent regulator for data protection. The Information Commissioner can be contacted at: Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire SK9 5AF; 0303 123 1113; casework@ico.org.uk
- 7.24 Any complaint to the Information Commissioner is without prejudice to your right to seek redress through the courts.

Contact details

- 7.25 The data controller for any personal data collected as part of this call for evidence is HM Treasury, the contact details for which are: HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ; 020 7270 5000; public.enquiries@hmtreasury.gov.uk.
- 7.26 The contact details for HM Treasury's Data Protection Officer (DPO) are: The Data Protection Officer, Corporate Governance and Risk Assurance Team, Area 2/15, 1 Horse Guards Road, London, SW1A 2HQ; privacy@hmtreasury.gov.uk.

HM Treasury contacts

This document can be downloaded from www.gov.uk

If you require this information in an alternative format or have general enquiries about HM Treasury and its work, contact:

Correspondence Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 5000

Email: public.enquiries@hmtreasury.gov.uk